
**PROPOSAL FOR
AUDIT AND TAX
SERVICES**

PREPARED FOR:
PACIFIC SWIMMING, INC.

PREPARED BY:
HEALY AND ASSOCIATES

SUBMITTED:
JUNE 21, 2023

H E A L Y A N D A S S O C I A T E S
C E R T I F I E D P U B L I C A C C O U N T A N T

June 16, 2023

Audit Committee
Pacific Swimming, Inc.
Attn: Mary Ruddell, Treasurer
14850 Hwy 4 A 260
Discovery Bay, CA 94505

VIA EMAIL: treasurer@pacswim.org

I am pleased to have the opportunity to propose my services to ***Pacific Swimming, Inc.*** (Organization). I am confident that with the firm's extensive experience, we will be able to provide excellent professional services to your organization.

This letter will serve to explain the team's qualifications, the scope, and approach of the services I would like to provide, and my commitment to providing outstanding audit and tax services.

The following pages will provide you with additional information:

Firm: The firm has substantial experience with a wide variety of nonprofit organizations and this sector represents the focus of the practice. We are oriented and equipped to provide quality service to nonprofit organizations at a reasonable and predictable cost. A listing of some of our nonprofit audit clients is included.

Personnel: The personnel who will be responsible for services to the Organization are highly qualified and have in-depth experience in the areas of auditing, accounting and tax services for nonprofit organizations. Abbreviated resumes of the personnel who will be involved in providing professional services are provided.

General and Audit Objective: The overall approach to this audit is provided.

Audit Procedures: Specific procedures we will employ during the course of the audit by functional area.

Management Responsibilities: The expectation of your involvement in the audit process.

Engagement Administration: Client responsibility and engagement partner in charge of engagement.

Fees: The estimated fees for the different services we provide.

Insurance: Our statements regarding insurance.

I look forward to the opportunity to serve you and your organization.

Suzanne R. Healy, CPA
Healy and Associates
Certified Public Accountant

Firm

Healy and Associates is a Certified Public Accounting firm, licensed in the State of California and headquartered in Concord, California. Healy and Associates is a *woman-owned* firm and staffed by professionals who offer a wide range of services in the areas of auditing and taxation. Healy and Associates and its personnel have provided services to a number of nonprofit organizations. Some of the organizations are listed below:

Accountability Counsel
All Raise
As You Sow
Athena Academy
Bay Area Chinese Bible Church
C100 Association
California Youth Connection
Californians for Justice Education Fund
Cambodian Children's Fund
Center for Asian American Media
Center for Story-Based Strategy
Challenge Day
Coastside Land Trust
Collective Impact
College Track
Community Presbyterian Church of Danville
Community United Against Violence
Coro Northern California
Democracy at Work Institute
Eastern Sierra Land Trust
Essie Justice Group
Family Violence Appellate Project
First Presbyterian Church of Berkeley
Frameline, Inc.
Global Citizen Year
GO Public Schools
Help a Mother Out
Initiate Justice
Jewish Film Institute
Justice Outside
League to Save Lake Tahoe (Keep Tahoe Blue)
Mission Cultural Center for Latino Arts
Moraga Valley Presbyterian Church
NorthCreek Church of Walnut Creek
Oakland Leaf Foundation
One World Children's Fund
Performing Arts Workshop, Inc.
Rainbow Community Center of Contra Costa County
ReThink Media, Inc.
Rising Sun Center for Opportunity
RYSE, Inc.
San Francisco Safe House
Shelterwood Collective
Story of Stuff Project
Tahoe Youth and Family Services, Inc.
The Friends of Bancroft Library
Uncommon Law
Urban Adamah
Walnut Creek Presbyterian Church
White Pony Express

References will be provided upon request.

Personnel

The audit and tax team will be composed of the following individuals:

SUZANNE HEALY, CPA – MANAGING OWNER is a Certified Public Accountant with over twenty years of accounting experience in both public accounting and private industry, specializing in the nonprofit sector. She believes nonprofits provide a vital resource to the communities they serve.

Suzanne worked at Bedinger and Company for over seventeen years. She oversaw all aspects of the engagement process and has experience in various industries such as nonprofits, publicly traded companies, religious organizations, and employee benefit plans. She has also served as Controller for four years at a privately-owned litigation support firm located in the Bay Area.

Suzanne earned her B.A. degree from the University of Arizona. She is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

CORA GARNER, CPA – AUDIT MANAGER is a Certified Public Accountant with over twenty years of experience working in nonprofits and Higher Education. She deeply believes in the work of nonprofits and their ability to change the world.

She earned her B.S. in Accounting from Elmhurst College and her M.A. in Higher Education from University of Arizona.

BRIANA FARNDEN – AUDIT SENIOR works alongside our audit team to assist with audits and provide support in a variety of areas in accounting.

Briana earned her B.S. in Business Administration from California State University, East Bay with options in Finance and Corporate Management. She plans to sit for the CPA exam after she completes the required courses.

SABRINA CHOWDHURY – SENIOR TAX ACCOUNTANT specializes in tax and has experience working in public accounting. She will be working on the nonprofit tax returns as well as answering any tax-related questions our clients may have.

Sabrina graduated from the University of California, San Diego with her bachelor's degree in Communications and Business. She is in the process of sitting for the EA exam(s) and anticipates achieving her Enrolled Agent by the end of 2023.

We are available throughout the year to the client for items that may occur for which the client is seeking advice or guidance. We must make you aware that we will not be able to provide any service that would impair independence in relation to the audit of the financial statements. We are happy to discuss the scope of other services should the need arise.

General

We are pleased to confirm our understanding of the services we are to provide for Pacific Swimming, Inc. for the year ended August 31, 2023.

Audit Scope and Objectives

We will audit the financial statements of Pacific Swimming, Inc., which comprise the statement(s) of financial position as of August 31, 2023, the related statements of activities, functional expenses, and cash flows for the year then ended, and the disclosures (collectively, the "financial statements").

In addition, should the auditor's report be reproduced (such as in an annual report or other charitable solicitations) please be advised: 1) the expectation is the auditor will be provided the final version of all documents comprising the annual report, including other information, prior to the date of the auditor's report so that required audit procedures can be completed prior to the issuance of the auditor's report, 2) if obtaining the final version of these documents is not possible prior to the date of the auditor's report, that the documents will be provided as soon as practicable, and that the entity will not issue the annual report prior to providing them to the auditor, and 3) the potential implications of providing the documents after the date of the auditor's report, including any actions that may be necessary in the event the auditor concludes that there is a material misstatement.

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

We will conduct our audit in accordance with GAAS and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Organization or to acts by management or employees acting on behalf of the Organization.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements.

However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that come to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will obtain an understanding of the Organization and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. Accordingly, we will express no such opinion. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under professional standards.

The audit documentation for this engagement is the property of Healy and Associates and constitutes confidential information. However, we may be requested to make certain audit documentation available to others pursuant to authority given to them by law or regulation. If requested, access to such audit documentation will be provided under the supervision of Healy and Associates personnel. Furthermore, upon request, we may provide copies of selected audit documentation to others as allowed by law or regulation. Others may intend, or decide, to distribute the copies or information contained therein to others, including other government agencies.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events considered in the aggregate, that raise doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, if any, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement and they may bill you for responding to this inquiry.

Other Services

We will prepare the Organization's federal and state information returns for the year ended August 31, 2023 for the Internal Revenue Service, Franchise Tax Board, and California Registry of Charitable Trusts based on information provided by you. We will also assist in preparing the financial statements of Pacific Swimming, Inc. in conformity with accounting principles generally accepted in the United States of America based on information provided by you.

We will perform the services in accordance with applicable professional standards, including the Statements on Standards for Tax Services issued by the American Institute of Certified Public Accountants. The other services are limited to the financial statement and tax services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities. We will advise management with regard to tax positions taken in the preparation of the information return, but management must make all decisions with regard to those matters.

We will prepare the following returns:

2022 U.S. Form 990

2022 California nonprofit tax return, California RRF-1

It is your responsibility to provide us with all the information required for preparing complete and accurate returns. You should retain all documents, cancelled checks, and other data that form the basis of the returns. These may be necessary to prove the accuracy and completeness of the returns to a taxing authority. You have the final responsibility for the returns and, therefore, you should review them carefully before you sign them.

We will use our professional judgment in preparing your returns. Whenever we are aware that a possible applicable tax law is unclear or that there are conflicting interpretations of the law by authorities (e.g., tax agencies and courts), we will explain share our knowledge and understanding of the possible positions that may be taken on your return. In accordance with our professional standards, we will adopt whatever position you request on your return, as long as it is consistent with the codes and regulations and interpretations that have been promulgated. When possible, we will resolve questions involving application of tax rules in your favor, if there is reasonable justification for doing so.

If a taxing authority should later contest the position taken, there may be an assessment of additional tax, interest and penalties. We assume no liability for any such assessment of additional tax, penalties or interest. In the event, however, that you ask us to take a tax position that in our professional judgment will not meet the applicable laws and standards as promulgated, we reserve the right to stop work and shall not be liable for any damages that occur as a result of ceasing to render services.

Your returns may be selected for examination by taxing authorities. In the event of an examination or other Internal Revenue Service or state taxing authority contact, any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of such government tax examinations, we may be available upon request to represent you and will render additional invoices for the time and expenses incurred. Fees and services will be communicated in a separate engagement letter.

Responsibilities of Management for the Financial Statements

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. You are also responsible for making drafts of financial statements, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the Organization from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Organization involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the Organization complies with applicable laws and regulations.

With regard to publishing the financial statements on your website, you understand that websites are a means of distributing information and, therefore, we are not required to read the information contained in those sites or to consider the consistency of other information in the website with the original document.

You agree to assume all management responsibilities for the tax services, financial statement preparation services, and any other non-attest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We expect to begin our audit on a mutually agreed upon date and to issue our report no later than 90 days after commencing/concluding fieldwork.

We understand that your employees will prepare all cash, accounts receivable, and other confirmations and schedules we request and will locate any documents selected by us for testing. We will schedule the engagement based in part on deadlines, working conditions, and the availability of your key personnel. We will plan the engagement based on the assumption that your personnel will cooperate and provide assistance by performing tasks such as preparing requested schedules, retrieving supporting documents, and preparing confirmations. If, for whatever reason, your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate.

As this engagement is not designed to be a fraud audit, management understands and accepts the inherent limitations of the audit services described in this agreement.

Suzanne R. Healy is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it. We expect to begin our audit on a mutually agreeable date.

Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service. In addition, the engagement to prepare the return(s) will end upon the delivery of the returns.

We estimate that our fees for the audit and other services are as follows:

1)	Audit of the annual financial statements for the year ended August 31, 2023:	
	Estimated Fees:	\$23,000
	Less: In-kind donation of services:	<u>(3,000)</u>
	Total estimated audit fees:	<u>\$20,000</u>
2)	Preparation of federal and California nonprofit tax returns for the Organization for the year ended August 31, 2023 (990,199, and RRF-1):	\$2,750
NOTE: Includes one-hour tax consulting/tax research.		
	Tax consulting/tax-research:	\$200/hour thereafter
	Preparation of form 990-T, <u>if applicable</u> :	\$300
	Preparation of additional state tax returns, <u>if applicable</u> :	\$250/state
3)	Teleboard Meeting with Audit Committee/Board of Directors:	\$200
4)	Attendance at Audit Committee or Board of Directors meeting:	\$200 per hour to include travel time

You will also be billed for travel and other out-of-pocket costs such as report production, word processing, postage, Confirmation.com, etc. Additional expenses are estimated to be \$600 or less. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will keep you informed of any problems we encounter and our fees will be adjusted accordingly. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 90 days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for non-payment, our engagement will be deemed to have been completed even if we have not issued our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you concerning the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

In addition, you further agree that in the event our firm or any of its employees or agents is called as a witness or requested to provide any information whether oral, written, or electronic in any judicial, quasi-judicial, or administrative hearing or trial regarding information or communications that you have provided to this firm, or any documents and workpapers prepared by Healy and Associates in accordance with the terms of this agreement, you agree to pay any and all reasonable expenses, including fees and costs for our time at the rates then in effect, as well as any legal or other fees that we incur as a result of such appearance or production of documents.

We may from time to time and depending on the circumstances and nature of the services we are providing, share your confidential information with third-party service providers, some of whom may be cloud-based, but we remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality terms with all service providers to maintain the confidentiality of your information and will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure appropriate confidentiality terms with a third-party service provider, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Although we will use our best efforts to make the sharing of your information with such third parties secure from unauthorized access, no completely secure system for electronic data transfer exists. As such, by your signature below, you understand that the firm makes no warranty, expressed or implied, on the security of electronic data transfers.

In connection with this engagement, we may communicate with you or others via email transmission. We take reasonable measures to secure your confidential information in our email transmissions. However, as email can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom it is directed and only to such parties, we cannot guarantee or warrant that email from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure or communication of email transmissions, or for the unauthorized use or failed delivery of email transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of sales or anticipated profits, or disclosure or communication of confidential or proprietary information.

It is our policy to keep records related to this engagement for 7 years. However, Healy and Associates does not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. It is your responsibility to retain and protect your records (which includes any work product we provide to you as well as any records that we return) for possible future use, including potential examination by any government or regulatory agencies. Healy and Associates does not accept responsibility for hosting client information; therefore, you have the sole responsibility for ensuring you retain and maintain in your possession all your financial and non-financial information, data and records.

By your signature below, you acknowledge and agree that upon the expiration of the 7-year period Healy and Associates shall be free to destroy our records related to this engagement.

If any dispute arises among the parties hereto, the parties agree to first try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its applicable rules for resolving professional accounting and related services disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties.

Organization and accountant both agree that any dispute over fees charged by the accountant to the organization will be submitted for resolution by arbitration in accordance with the applicable rules for resolving professional accounting and related services disputes of the American Arbitration Association, except that under all circumstances the arbitrator must follow the laws of California. Such arbitration shall be binding and final. IN AGREEING TO ARBITRATION, WE BOTH ACKNOWLEDGE THAT IN THE EVENT OF A DISPUTE OVER FEES CHARGED BY THE ACCOUNTANT, EACH OF US IS GIVING UP THE RIGHT TO HAVE THE DISPUTE DECIDED IN A COURT OF LAW BEFORE A JUDGE OR JURY AND INSTEAD WE ARE ACCEPTING THE USE OF ARBITRATION FOR RESOLUTION. The prevailing party shall be entitled to an award of reasonable attorneys' fees and costs incurred in connection with the arbitration of the dispute in an amount to be determined by the arbitrator.

Reporting

We will issue a written report upon completion of our audit of Pacific Swimming, Inc.'s financial statements. Our report will be addressed to the Board of Directors of Pacific Swimming, Inc. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or withdraw from this engagement.

If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the attached copy and return it to us.

Sincerely,
Healy and Associates
Certified Public Accountant

Approved By:

Governance signature: _____

Printed name: _____

Title: _____

Date: _____

Management signature: _____

Printed name: _____

Title: _____

Date: _____